

TO: Files

CC: San Diego Audit Committee

FROM: Willkie Farr & Gallagher LLP

RE: Interview of Christina Cameron on April 27, 2006

DATED: May 16, 2006

On April 27, 2006, Carolyn Miller and Brian Faerstein, in Willkie Farr & Gallagher LLP's capacity as counsel to the Audit Committee, interviewed Christina Cameron. Ms. Cameron was represented by counsel, Pamela Naughton of Sheppard, Mullin, Richter & Hampton LLP. No representatives from KPMG were in attendance. The interview took place in a conference room on the 3rd floor of the City Administration Building in San Diego and lasted approximately two hours.

The following memorandum reflects my thoughts, impressions, and opinions regarding our meeting with Christina Cameron, and constitutes protected attorney work product. It is not, nor is it intended to be, a substantially verbatim record of the interview.

Warnings

Ms. Miller began by explaining that the interview will cover information relating to the Audit Committee's investigation. She explained that the information provided by Ms. Cameron may be given to the government or made public in the Audit Committee's report. Ms. Miller explained that she was not Ms. Cameron's lawyer and that their conversation was not privileged. Ms. Naughton asked if a summary of the interview would be published and, if so, whether Ms. Cameron would have an opportunity to review the summary for accuracy. Ms. Miller explained that the summary would not be published and, though the Audit Committee would provide the summary to the government or KPMG upon request, Ms. Cameron would not have an opportunity to review it. Ms. Miller clarified that the Audit Committee would not be sharing the contents of the interview summary memoranda with interviewees because Vinson & Elkins had received criticism for taking that approach.

Background

Ms. Cameron received a Bachelor of Arts degree in Philosophy from the University of California, San Diego. She is currently enrolled at California Western School of Law.

Ms. Cameron began working for the City of San Diego (the "City") in January 1988, serving as an intern in the office of Mayor Maureen O'Connor. She was eventually offered a full-time staff position in the Mayor's Office handling community relations, which she

accepted. She later served as the Mayor's Press Secretary. Ms. Cameron worked in this capacity until Mayor O'Connor left office in 1992. Ms. Miller asked Ms. Cameron whether it was common practice for the entire staff of the Mayor or a Councilmember to leave office when the elected official's term was up or whether there tended to be a lot of carry-over among staff members from one administration to the next. Ms. Cameron responded that, generally, an official's staff would leave with the official.

Ms. Cameron returned to City employment in 1994, working as a staff member to Councilmember Harry Mathis of District 1. She served initially as a community representative for the Councilmember, also managing the docket of Council issues his office received on a weekly basis. Ms. Cameron gradually came to play an advisory role, picking up policy issues involving arts and culture, land use and other random matters appearing on the docket. Ms. Cameron became Councilmember Mathis' Chief of Staff in February 2000, but served only until he left office in December 2000. During her time in Councilmember Mathis' office, Ms. Cameron did not have any involvement with pension issues.

In December 2000, Ms. Cameron became Chief of Staff for Councilmember Scott Peters, who took over Mathis' District 1 seat on City Council. Ms. Cameron explained that she had to interview with Councilmember Peters and did not just roll over into serving as his Chief of Staff from her time with Mathis. Ms. Cameron served as Councilmember Peters's Chief of Staff until December 2003, when she decided she needed more time outside of work to prepare for law school. She now serves as a Senior Policy Analyst to Councilmember Peters while attending law school part-time.

MP1

Ms. Miller asked Ms. Cameron whether she was aware of MP1 while she worked for Mathis. Ms. Cameron explained that she would have been aware of the proposal only to the extent of it being on the docket in 1996, but she likely would not have been involved with the underlying policy analysis of the issue. She explained that, in her role managing the docket, she would have delegated the issue to the appropriate staff member. If the staff member prepared a brief on the subject for the Councilmember's review, Ms. Cameron would have passed it on to Mathis without reviewing it for substantive content beforehand. Ms. Miller asked Ms. Cameron who on Mathis' staff at the time would have handled pension issues. Ms. Cameron could not recall but, noting that she was not Chief of Staff at the time, stated that the Chief of Staff would have likely handled a matter like MP1. Asked whether she could recall any buzz around the office about MP1, Ms. Cameron responded that she could not, speculating that this was likely because Councilmember Mathis would have had dealt mostly with the Chief of Staff about this issue.

Councilmember Peters's Office

Ms. Miller asked Ms. Cameron about the organization of the staff under her when she served as Peters's Chief of Staff. Ms. Cameron explained that one staff member handled the docket and a number of policy issues. Each other staff member represented a particular community within District 1 and also was responsible for a number of policy issues. During her tenure as Chief of Staff, Ms. Cameron's general duties consisted of assembling the staff at the

beginning of Councilmember Peters's term, supervising the activities of the staff, managing the administrative functions of the office and overseeing certain policy issues.

Ms. Miller inquired about the procedure for organizing Councilmember Peters's incoming mail. Ms. Cameron stated that staff would separate mail by community. Ms. Cameron did not explain how they determined what mail Councilmember Peters should review. With regards to email, Ms. Cameron explained that Councilmember Peters had both his own private account through the government server and a public account whose email address was made available to constituents. Ms. Cameron would monitor the public account.

Ms. Miller asked Ms. Cameron about how the docket was managed and how the Councilmember prepared for Council meetings. Ms. Cameron explained that the docket for the following week's meeting (or meetings) was delivered on Wednesdays. The docket contained all the items that were slated to be discussed at the Council meetings, which were held on Mondays and Tuesdays. The office was usually provided enough copies of the docket for each staff member. Each item on the docket would have a corresponding binder (or binders) of documents that served as background material for that particular issue. The staff member in charge of the docket would decide which issues needed to be briefed, as opposed to only providing the Councilmember with the relevant documents as background on the matter. Issues that needed to be briefed were delegated to the appropriate staff member -- i.e., the staff member who was responsible for that particular policy area -- and that staff member would either prepare a formal brief or an informal email for Councilmember Peters's review. In most cases, the staff member assigned a particular item would prepare a smaller binder from the large binder received with the docket, with an eye toward limiting the materials to the most pertinent information. Ms. Miller asked Ms. Cameron whether there would be staff meetings with the Councilmember prior to the City Council meeting. Ms. Cameron explained that there would be if Councilmember Peters had specific questions about a particular issue.

With regard to the actual Council meetings, Ms. Cameron explained that the staff member in charge of the docket would usually accompany Councilmember Peters to the Council meetings. If there was a particularly complex issue for which a staff member had prepared a brief, that person would sometimes sit in on the meeting during discussion of the issue.

Ms. Miller asked Ms. Cameron about her knowledge of Closed-Session meetings. Ms. Cameron stated that she only knew what would be discussed at these meetings based on the Closed-Session agenda distributed before the meeting. Ms. Cameron explained that the only time a staff member could discuss a Closed-Session issue with the Councilmember would be when the staff member knew that the matter was a particularly sensitive issue to the community they represented within District 1.

Ms. Miller asked Ms. Cameron whether she perceived that Councilmember Peters had any particular allies on City Council. She could not recall, but she noted that she did not get the impression that there were any particular Councilmembers that Peters tended to agree with on a consistent basis. She could not recall any Councilmembers frequently coming by the office to discuss policy issues with Councilmember Peters.

Disclosure Issues

Ms. Miller asked Ms. Cameron about how disclosure issues were handled by Councilmember Peters's staff, in particular whether there were any disclosure experts on the staff. Ms. Cameron responded that there was no one on Councilmember Peters's staff with expertise in disclosure issues or, for that matter, math-related or technical issues. There was not a staff member specifically dedicated to disclosure issues; rather, responsibility for a disclosure item would fall upon the staff member whose policy area covered the type of that particular bond offering (e.g., sewer bond disclosure issues would be handled by the staff member who was responsible for water and sewer policy). She could not specifically recall bond offering disclosure statements being presented to Councilmember Peters, though she noted that to the extent that the approval of a disclosure statement was an item for a Council meeting, the offering statement was likely included with the materials delivered to the office on the Wednesday preceding the Council vote on the offering. Ms. Cameron explained that the preparation of information or a brief on such an issue would have been undertaken the same way as any other issue.

Ms. Miller inquired whether Ms. Cameron recalled any specific bond offerings. Ms. Cameron remembered the "public fight" over the ballpark bonds, clarifying that she recalled a lot of heated rhetoric about whether the City should be building the stadium but not specific discussion about the bond issuance aspect of the project. Ms. Miller asked Ms. Cameron whether she recalled the refinancing of the ballpark. Ms. Cameron explained that prior to Councilmember Peters taking office, there was a lot of risk in pursuing a public offering, in terms of high interest rates, but that this risk eventually dissipated and the City could pursue the "refinancing." It should be noted that Ms. Cameron seemed to confuse the issue of the original bond issuance in February 2002 and the effort to refinance the ballpark in the summer and fall of 2003.

Ms. Miller asked Ms. Cameron whether she recalled asking the City Attorney's Office for advice during her time in Councilmember Peters's office. She explained that they would contact the City Attorney's Office if they needed a legal opinion and who they talked to within the City Attorney's Office would depend upon the particular issue. Asked how they would determine which Deputy City Attorney was assigned a particular issue, Ms. Cameron explained that they would call the City Attorney's Office and ask. Asked whether Councilmember Peters had a "go-to" person in the City Attorney's Office, Ms. Cameron responded that she was not aware of such a person.

Bond Issuances

Ms. Miller asked Ms. Cameron about her general understanding regarding the background of a bond offering. Ms. Cameron explained that, based on the information she had when she looked at offering statements, she knew that the documents were prepared by certain experts. She understood the basics of Preliminary Offerings Statements and other "big documents" that would come with a bond offering item. Ms. Cameron explained that, since these documents were so technical, the City Manager's Office generally provided information -- most often in plain language -- about the offering along with the disclosure statements. She stated that the staff relied on the City Manager's Office to highlight particular issues in relation to offerings that needed to be examined. Ms. Cameron noted that she would usually only look at

the City Manager's supplemental report if the offering was on the adoption side of the Council docket as opposed to the consent side of the agenda.

Ms. Miller asked Ms. Cameron whether she believed the City Manager's supplemental document was reviewed by the City Attorney's Office before it was distributed to Councilmembers' offices. Ms. Cameron stated that it had been seen by the City Attorney's Office, explaining the process as follows: the City Manager's Office drafted the summary report about the bond offering and submitted it to the City Attorney's Office; the City Attorney's Office used this supplemental document for the preparation of Ordinances, Resolutions and other legal documentation that would accompany the offering; the supplemental document would then be distributed to Councilmembers' staff; and it would be clear to staff which Deputy City Attorney they should contact with any further questions about the offering. Ms. Miller asked Ms. Cameron if Councilmember Peters ever sought information about a bond offering outside of these two City offices. Ms. Cameron could not recall such an occasion nor could she recall Councilmember Peters ever contacting an outside professional with questions in connection to a bond offering. Ms. Miller asked Ms. Cameron if she recalled outside professionals ever attending City Council meetings. Ms. Cameron could not recall such an occasion.

Labor Issues

Ms. Miller asked Ms. Cameron whether Councilmember Peters met with presidents of City labor unions. Ms. Cameron recalled that he probably met with Ron Saathoff (CERS Board member and Firefighter Union President) on several occasions. She speculated that these meetings likely concerned budget issues. She recalled that Saathoff would usually make an appointment to see the Councilmember. Ms. Cameron recalled that Councilmember Peters also met with Judie Italiano (MEA Union President), Bill Farrar (POA Union President), and Jerry Buckowitz (representative of San Diego-Imperial Counties Labor Council). Asked about her impression of Saathoff, Ms. Cameron characterized him as aggressive on behalf of his union.

Ms. Miller asked Ms. Cameron if she recalled meet-and-confer negotiations from 2002. Ms. Cameron responded that she did not because meetings concerning these issues were always held in Closed-Session.

Budget Issues

Ms. Miller asked Ms. Cameron whether she had a sense of the strength of the City's finances in 2002. Ms. Cameron explained that she probably did at the time, but could not currently recall her understanding from that period. Ms. Miller asked Ms. Cameron if the proposed budget came through the Councilmember's office. Ms. Cameron affirmed that it did, noting that the City Manager would prepare and distribute the budget in early May. Ms. Cameron explained that she would assign workshops about different budget items to the appropriate staff members in Councilmember Peters's office.

Ms. Miller inquired as to whether Councilmember Peters felt particularly strongly about any specific budget issues. Ms. Cameron explained that he typically would watch to make sure that funding for projects in his constituent communities were continuing to receive adequate funding. In terms of citywide concerns, Ms. Cameron stated that his overriding focus was the

Park and Recreation Department, as he believed that it was the department that would best serve the City. Ms. Miller asked Ms. Cameron if Councilmember Peters had to fight to provide this department with more funding. Ms. Cameron responded that this was not usually necessary, as the department was mostly supported by specific municipal bond offerings and state funding rather than by moneys appropriated in the City's general budget.

MP2 and Shipione's Allegations

Ms. Miller asked Ms. Cameron about her understanding of MP2. Ms. Cameron explained that she was familiar with the proposal but that she did not pay much attention to it while it was being negotiated because pension was not one of her policy areas. She noted that Cliff Williams was likely the staff member under Councilmember Peters who dealt with these issues. Williams prepared the docket each week and he left Peters's office in June 2005.

Ms. Miller inquired about Ms. Cameron's interactions with members of the City Employees' Retirement System ("CERS") Board. Ms. Cameron recalled meeting with Lawrence Grissom (CERS Board Administrator) in January 2003, after Diann Shipione's allegations in November 2002. Ms. Cameron explained that she had contacted Grissom to get an informal "Pension 101" prep course about all the issues circulating around the City regarding the Retirement System. She initiated this contact on her own and not at Councilmember Peters's direction. Ms. Cameron noted that Williams took part in this meeting, as he also needed to be educated about a number of the pension-related issues. Grissom did not provide Ms. Cameron or Williams with written materials, though Ms. Cameron explained that Williams met subsequently with Grissom and may have received materials at that point.

Ms. Cameron recalled that she believed Grissom answered all of her questions sufficiently. Ms. Miller asked Ms. Cameron whether Grissom responded to Shipione's allegations. Ms. Cameron explained that he did not really address these concerns, as the purpose of the meeting was for him to provide more of a general overview of the Retirement System and MP2. Ms. Cameron noted that she recalled leaving the meeting believing that the major contributor to the high UAAL was the stock market downturn, noting that she did not think she has changed her opinion on this point. It should be noted that Ms. Cameron was knowledgeable about the basic terminology concerning the Retirement System (e.g., UAAL, actuarial, etc.).

Ms. Miller asked Ms. Cameron whether she recalled doing any work or overseeing her staff's work in response to Shipione's allegations. She could not recall taking part in such a response. Asked whether she remembered hearing Shipione speak in Council, Ms. Cameron explained that she heard her on the "squawk box." With regard to her impression of Shipione's credibility, Ms. Cameron explained that she initially believed Shipione was not credible because the information Shipione presented did not match up with that provided by City experts and staff, in particular, the City Manager's Office, the CERS actuary, outside underwriters, and others. Asked whether her perception has changed, Ms. Cameron responded that she probably would not be sitting in the interview if Shipione's information was not on point.

Interaction with Other City Offices

Ms. Miller asked Ms. Cameron about her contact with the City Manager's Office. Ms. Cameron recalled not having a good impression of City Manager Michael Uberuaga. She believed that he could not deal effectively with a city as large as San Diego, as he had come from serving as City Manager in a smaller city. She recalled that she and her staff would typically not approach Uberuaga for answers on particular matters and that if they did, he would usually delegate the issue to others in the City Manager's Office. She generally believed that officials and staff members in the City Manager's Office were more knowledgeable than Uberuaga. Ms. Cameron clarified that she and her staff could get the answers they needed, but just not from Uberuaga.

Ms. Cameron recalled that Uberuaga was usually present at City Council meetings. If Uberuaga was not present for the entirety of a meeting, Lamont Ewell (Assistant City Manager) would attend in his place. If Uberuaga was missing for just a few items, he would send the Deputy City Manager responsible for the particular issue being discussed. Ms. Cameron believed Ewell and George Loveland (Deputy City Manager) were both competent and informed.

Ms. Miller asked Ms. Cameron about her interaction with the City Auditor & Comptroller's Office. She recalled that she did not have much contact with them, stating that she interacted more often with the City Treasurer's Office. She noted that she had a positive impression of Mary Vattimo (City Treasurer). As for her impression of Ed Ryan (City Auditor & Comptroller), Ms. Cameron explained that she and her staff had a good impression of the City's overall conservative approach -- in terms of the City's low-debt standing -- before all the troubles with the pension system and City finances were exposed. Ms. Cameron attributed the fact that the City's audits seemed to run smoothly to Ryan and his staff. Ms. Cameron recalled that it was important to her office at the time that the City Auditor & Comptroller's Office was, by the City Charter, independent of the City. In retrospect, Ms. Cameron believed that this independence may have been a problem as there was no check on the City Auditor & Comptroller's Office's work, which clearly had not been completed in a prudent manner. With regard to Terri Webster (Assistant City Auditor & Comptroller), Ms. Cameron explained that she worked with Webster often in preparing a budget for District 1 and finding revenue streams for particular projects. Ms. Cameron recalled having a positive impression of Webster and being very surprised when she left the City under bad circumstances.

Wastewater

Ms. Miller asked Ms. Cameron about her understanding of Councilmember Peters's involvement in the setting of sewer service rates. Ms. Cameron acknowledged she was aware of the issue but that Councilmember Peters was not very involved. She noted that Williams would have been the staff member responsible for this issue. Ms. Miller inquired about Ms. Cameron's understanding of Cost of Service studies. Ms. Cameron understood that they related to the setting of water and sewer rates, but she could not recall any study being disseminated in or around 2002.

Remediation

Ms. Miller asked Ms. Cameron about her opinion of the switch from the City Manager form of government to the Strong Mayor form of government. Ms. Cameron believed that, although the transformation has been rather shaky at first, it would be beneficial in the end for a city the size of San Diego. She noted that the problem with having a City Manager with broad responsibility in a big city is that it was difficult to recruit City Managers with sufficient experience from other big cities. Still, she believed that a myriad of other changes needed to be implemented to complement the governmental transition, though these changes would likely only be discovered along the way. Ms. Miller asked Ms. Cameron whether she believed that Uberuaga's incompetence was the catalyst for the change. Ms. Cameron believed that it may have been a contributing factor, but that the City had been migrating toward the transformation for some time.

Asked what specific changes would have to be made, Ms. Cameron explained that there was a structural issue with regard to the City Attorney's Office. City government has an executive branch and a legislative branch, but only one legal advisory office between them. Moreover, she believed that it would be necessary to examine the structure of agencies and to whom they generally answer. She did not have any answers, but noted that in some cases it probably would be best to make agencies independent and in others have them answer to another governmental entity.

Overall, she believed that the work of the Audit Committee may be most valuable in terms of offering an outside objective perspective that has been hard to come by in recent years. She explained that she and many other employees of the City had believed that the City had a stellar economic standing, so learning about all the long-standing problems has been very difficult to accept.

WF&G

Christina Cameron
No Interview Exhibits